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O/CONGRESSIONAL AFFAIRS

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Iraqi Domestic Situation

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Iraqi President Saddam Husayn has a firm grip on power but is facing increasing challenges from organized dissidence in the north and the south.

- Fighting by Iranian-backed Kurdish rebels has increased in the mountainous north and extends to within 100 miles of Baghdad. The guerrillas, sometimes in joint operations with Iranian Revolutionary Guards, have made the roads and several major northern cities unsafe at night. Severe government repression, including the razing of villages and resettlement of inhabitants, is driving many Kurds to join the rebel ranks.
- In southern Iraq, members of the weak Iraqi Shia dissident group, Dawa, and army deserters are conducting assassinations and armed attacks against vehicular traffic.
- Military and civilian morale appears poor, but the Iraqis nonetheless still seem determined to resist the Iranian invasion. We would caution, however, that our knowledge of Iraq's domestic situation is limited because the repressive nature of the regime limits foreigners' access to Iraqis.
- Saddam is implementing economic reforms to boost economic performance and civilian morale. The reforms, however, have not resulted in greater availability of consumer goods, and austerity measures have led to some grumbling among the populace and a few small demonstrations.
- The greatest threat to Saddam appears to be assassination but his ruthless and effective security services have thoroughly penetrated the armed forces and made coup plotting difficult.

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Iranian Intentions in the Gulf

Iran's determination to maintain its intransigent position in the face of the US escort program shows no signs of being eroded by recent US military strikes.

--Iran is likely to continue its minelaying operations and to harass unescorted shipping with attacks by patrol boats and naval vessels. Iran also is likely to launch more Silkworm missiles at Kuwaiti ports--and to target some against any escorted vessels in Kuwaiti ports that are within range.

--Iran probably will escalate its actions once it concludes that lower-level activities have failed to weaken US or Kuwaiti resolve. Tehran's options include: launching air or sea attacks on Gulf oil facilities, attacking a US-escorted tanker while in transit through the Gulf, or sponsoring a terrorist attack against a US target.

--Further up the escalatory ladder, Iran could directly attack a US Navy ship, launch SCUD missiles on Gulf coastal oil facilities, or launch a major ground attack against Kuwait. Iran's willingness to escalate in a big way will increase if a lower-level attack leads to a major US retaliatory blow against Iran.

We believe Kuwait will continue to be the target of unrelenting Iranian attacks of some kind. Tehran's relative restraint in recent weeks--only two limited terrorist bombings--reflects a desire to avoid antagonizing the Arab states while they held their summit this week in Amman, Jordan.

--Iran is likely to be more selective toward the other Gulf states. It probably will attempt to balance intimidation with diplomacy. Tehran wants to fuel the Gulf states' wariness about cooperation with the United States--and their concern about being dragged into expanding conflict.

--At the same time, Tehran probably hopes to achieve its goals while staying below the threshold that would be counterproductive and drive the Arabs into even closer security cooperation with Washington.

--Thus, Iran in the near term is likely to increase its attacks on Gulf shipping and carry out selective terrorist and sabotage attacks. We have little doubt, however, that the more frustrated Iran becomes with the continuation of the escort program, the more willing it will be to increase the pressure on the Gulf states.

--We should also remember that an Iranian missile attack on Kuwait is designed to deliver a message to Saudi Arabia, Bahrain, and Qatar, as well as to the Kuwaitis.

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Arms Suppliers to Iraq and Iran

Iraq and Iran continue to be two of the largest arms importers in the world. Since the start of the Gulf war in late 1980, Tehran has acquired over \$10 billion in military hardware while Baghdad has purchased \$40 billion.

--Iraq relies primarily on the Soviet Union and France for military hardware. Acquisitions from these and other countries have allowed Baghdad to build the largest and most modern armed forces of all Arab countries.

--Tehran has turned increasingly to China and North Korea for military equipment in the last year. China not only provides Iran with Silkworm missiles to threaten Gulf shipping, but also large amounts of ammunition and artillery that helps Iran launch ground offensives against Iraq.

--Iran has purchased nearly \$650 million worth of arms from Libya. This includes some of the more sophisticated weapons Tehran has acquired including SCUD missiles, SAM-2 surface-to-air missiles, and possibly sophisticated naval mines.

--Iran recently acquired 50 armored vehicles from East European countries--the largest number of armored vehicles Iran has received from any country since 1983. [REDACTED]

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